

SECRET

Approved For Release 2007/11/19 : CIA-RDP81B00878R000300020045-2

SAPC - 2277
Copy 4 of 7

24 October 1955

MEMORANDUM FOR: Deputy Project Director

SUBJECT: Overhead Problems at Ramo-Wooldridge Corporation and Lockheed Aircraft Corporation

25X1 —
1. On 9 September 1955 we transmitted over your signature a memorandum (SAPC 1802) to Col. Russell A. Berg on the subject -- Request for Support in Connection with Overhead Problems. Attached to such memorandum was a copy of the text of [redacted] letter of 23 August 1955 (SAPC 1711). As you know we have received no definite information from either contractor that this situation has been resolved in connection with our contracts at such places.

25X1
2. Information has been received from [redacted] that he finds it necessary to begin a 48 hour a week operation for about a 12 week period in order to meet target dates for the N portion of System 2. Accordingly, unless he has received Air Force blessing to charge the premium portion of overtime to the overhead pool considerable charges will accumulate which cannot be charged to overhead without Air Force approval and which cannot be charged direct to us without a complete disruption of R-W's accounting procedures.

3. It is suggested that through your contacts with the Air Force this matter be looked into to determine what action is being taken with reference to our request of 9 September 1955.

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PCS/DC [redacted]

Distribution:

Orig - Addressee

- 2 - [redacted] Master ✓
- 3 - [redacted] Service
- 4 - [redacted] Finance Officer
- 5 - Security
- 6 - Chrono
- 7 - Reading

Contracting Officer

25X1

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SAPC 2262

Copy 1 of 7

20 October 1955

MEMORANDUM FOR THE RECORD

SUBJECT: Telephone Conversation with

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1. [] called this date to discuss several matters of concern with reference to work on Contract No. A-101.

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a. Overtime - [] stated that when he compared the number of people he has available, and cleared, to work on the Navigation end of the C & N package (system 2) to the number of hours of work estimated to be necessary to meet his schedules for testing and delivery of this item, it was obvious that he would have to institute a 48 hour week to meet such schedules. Approximately 1/2 of the people involved are exempt. The non-exempt people involve designers, draftsmen, technicians, etc. The period involved for such overtime would be about 12 weeks for most personnel. He estimated that about \$11,000 of premium time charged for overhead would be put into the overhead pool. In this connection we must ascertain what results have been obtained by our Air Force liaison personnel to have overhead pool charges resulting from Contract No. A-101 accepted by the Air Force representatives at R & W as legitimate charges. A letter (SAPC 1802) was sent to Col. Berg over the signature of [] on 9 September 1955. [] was instructed to proceed immediately with instituting the 48 hour week to the extent he deemed necessary and to send us a letter outlining his proposed procedure. Subsequently this method of procedure was checked with Mr. Bissell and with [] (who checked with [] and such authorization was concurred in at all levels. 25X1

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b. With respect to schedules on System 2, [] is holding to a schedule which anticipates flying the system in mid-December and having a completely tested item by 1 February 1956. On the communication end of System 2, [] stated they were proceeding with solid confidence.

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c. Another problem indicated by [] was one of procurement procedures. Normally three bids are obtained on items (fabricated parts and purchased parts) in accordance with standard procedures. This procedure, [] stated, frequently causes delays of from 1 week to 20 days. In view of the urgency of procurement, especially for System 2, it is futile to work overtime to accelerate the work while at the same time allowing procurement procedures to delay the work. Accordingly, [] was authorized, when he deemed it necessary, to depart from standard procurement procedures and to purchase in the most expeditious manner possible. He was requested to document such expeditious procurements for the record, over his signature or over the signature of some responsible person designated by him, certifying that departure from standard procurement procedures was necessary for reasons of available time. The Contracting Officer will accept such certifications for payment and audit purposes. [] stated they would not abuse this privilege but whenever time was a factor they would take advantage of such authorization.

d. [] stated R & N has purchased 42 acres near International Airport. They propose to use this site for testing of equipment. Its advantages are that they own the land (no lease required) and it is close to the plant. They will erect antennas and will also require a building of some sort -- quonset, shack, etc., to house the transmitting and other equipment. Since this problem is not as yet urgent and it involves the erection of facilities, [] was requested to send us a brief note outlining his requirements so that we could ascertain whether any GFE type quonset or pre-fab could be made available through our channels or whether we should authorize construction of a suitable building. It was ascertained that a trailer would not be large enough. [] will brief us on his needs in this connection in the near future.

e. With respect to the special Navigation report, [] stated he put it in the mail on Monday, 17 October. As of this date it has not been received.

f. [] was informed of the possibility that a suppliers meeting might be held on 30-31 October. He indicated this time was satisfactory to him.

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Contracting Officer

- O - [] Master ✓
- 2 - [] Service
- 3 - []
- 4 - Admin/[]
- 5 - Security
- 6 - []

SAFC 1802
Copy 4 of 7

9 September 1955

MEMORANDUM FOR: Col. Russell A. Berg
Air Force Project Officer

SUBJECT : Request for Support in Connection with
Overhead Problems

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1. Attached hereto is a letter from [redacted] The Ramo-Wooldridge Corporation, Los Angeles, California, setting forth certain overhead problems arising out of the situation wherein we are contracting for certain items from Ramo-Wooldridge through the mechanism of a Government contract. [redacted]

[redacted] The letter is self-explanatory as regards definition of the instant problem and the indicated general solution appears to be to assure the cognisant Air Force Contracting Officer at Ramo-Wooldridge that Contract A-101 is, in fact, a bona fide Government contract and that indirect costs arising out of its performance by Ramo-Wooldridge should receive consideration, if otherwise appropriate, for inclusion into the general Government overhead pool at Ramo-Wooldridge.

2. Specific approval has been given to Ramo-Wooldridge with respect to the operation of the experimental machine shop on a 45-hour per week basis, insofar as Contract No. A-101 is concerned, but acceptance of the premium portion of such overtime by the cognizant Air Force Contracting Officer will be necessary before these charges can be folded into the general Government overhead pool and reflected in the overhead rate.

3. In addition to the above, information is requested as to the feasibility of having the cost audits (interim and final) in connection with Contract No. A-101 performed by the local Air Force auditors at Ramo-Wooldridge. Since such auditors are familiar with accounting procedures at the Contractor's plant, it would appear to be feasible to have our audits performed by the same personnel auditing Air Force work at Ramo-Wooldridge, using the same standards and criteria as are used in Air Force contracts at such plant - thereby providing uniformity of treatment of the Contractor. Resultant audit reports would require special handling and it is suggested that they should be submitted directly to the Contracting

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- 2 -

Officer for Contract No. A-101. As is normal, such audit reports would be advisory to the Contracting Officer and to the Certifying Officer under this contract in determining final costs of Contract No. A-101.

4. Attention is invited to the fact that with respect to the overhead problem stated above, a similar situation exists on Contract No. SP-1913 at Lockheed Aircraft Company and that action to correct such situation has been initiated through the proper Air Force channels. Solutions to the overhead problem at Ramo-Wooldridge should consider the security aspect of linking Lockheed and Ramo-Wooldridge through the common denominator of the Air Force channel used to remedy the overhead problem at both Contractors' plants.

5. Your advice is requested with respect to the problems stated above.

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Colonel, U.S.A.F.

Attachment: Copy of SANC 1711

Distribution:

Orig - forward

2 - extra - security

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4

5

6 - Chrono

7 - Reading

25X1

SAPC 1711

COPY

23 August 1955

As Bud and I indicated to you during your recent visit, it has been our practice to operate the experimental machine shop which performs the shop work required for Contract A-101 on a 45-hour work week. This practice has been necessary both to accomplish the volume of shop work required in our existing facility and to meet the very tight time schedules existing under the contract. Additionally, since most of the shops operating in this area are working on a fairly heavy overtime schedule, establishment of the 45-hour week here has been almost mandatory to permit us to attract and hold the highly skilled type of machinists required for the precision work in which we are engaged.

Because our company accounting policy provides for the charging of premium time to overhead, we have requested approval of the 45-hour work week in the shop through the local Air Force Contracting Officer. To date the proportion of shop work which has been under non-Air Force contracts has been so large that the Air Force Contracting Officer has declined to approve our request unless it is indicated to him that such overtime is warranted on non-Air Force contracts. This point of view is perhaps quite reasonable since 79% of the work performed during the period from 20 February through 30 June 1955 was related to Contract No. A-101, while 3% of the time worked during that period was expended on machine maintenance. The total premium pay associated with the five hours per week of shop overtime for this period amounts to \$653.00.

We understand that you are attempting to establish an arrangement whereby the local Air Force Contracting Officer will have sufficient understanding of our problems and activities to permit him to evaluate the reasonableness of overhead charges such as premium pay. It is reasonable to anticipate, however, that it may take some time for you to complete those arrangements; in the meantime we are continuing to work the 45-hour week in our shop and, because the greater portion of the shop work is concerned with your contract, we would appreciate your approval of our 45-hour shop work week as an overhead charge insofar as work on your program is concerned.

You have already given us approval for \$700.00 of premium time applicable to non-shop overtime and shop overtime in excess of our normal 45-hour shop week. The approval we seek in the present case relates to that for the 45-hour week in itself.

**INTERNAL ROUTING
(PROJECT MATERIAL)**

SA/PC/DCI _____

Exec. Off. _____

DEA _____

Admin. Off. _____

OPS Office _____

✓ Adm. Off. (Fin.) *WU 9/2/55*

Contr. Off. _____

Personnel Off. _____

✓ *Legy* Security *WU*

Commo _____

FILE: *Service*

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